

LEGISLATIVE COUNCIL BRIEF

Insurance Companies Ordinance
(Chapter 41)

**INSURANCE COMPANIES (AMENDMENT) ORDINANCE 2015
(COMMENCEMENT) NOTICE 2015**

INTRODUCTION

The Secretary for Financial Services and the Treasury, by virtue of section 1(2) of the Insurance Companies (Amendment) Ordinance 2015 (“the Amendment Ordinance”), appoints 7 December 2015 as the day on which the first batch of provisions of the Amendment Ordinance come into operation. The Insurance Companies (Amendment) Ordinance 2015 (Commencement) Notice 2015 (“the Notice”) is at **Annex**.

JUSTIFICATIONS

2. Enacted on 10 July 2015, the Amendment Ordinance provides for, among other things, the establishment of an independent Insurance Authority (“IIA”) which will take over the duties of the existing Office of the Commissioner of Insurance (“OCI”) and the three Self-regulatory Organizations¹ (“SROs”), and exercise new statutory powers to license and regulate insurance intermediaries.

3. The policy objectives of the establishment of IIA are to modernize the insurance industry regulatory infrastructure to facilitate the stable development of the industry, provide better protection for policyholders, and comply with the requirement of the International Association of Insurance Supervisors that insurance regulators should be financially and operationally independent of the government and industry.

¹ The three SROs are the Insurance Agents Registration Board established under the Hong Kong Federation of Insurers, the Hong Kong Confederation of Insurance Brokers and the Professional Insurance Brokers Association.

4. We plan to commence the Amendment Ordinance in three stages to allow for a smooth transition from the existing regulatory regime to the new one. The latest target timeline is as follows –

Stage 1: To establish the Provisional Insurance Authority (“PIA”) (without regulatory functions and co-exists with OCI)	By end 2015
Stage 2: PIA becomes IIA to replace OCI by taking over its regulatory functions (the self-regulatory regime for insurance intermediaries remains unchanged)	About one year after the commencement of Stage 1
Stage 3: IIA to implement the statutory licensing regime and take over the regulation of insurance intermediaries from the three SROs	Two to three years after the commencement of Stage 1

Stage 1

5. The new section 4AAA added by section 9 of the Amendment Ordinance provides that immediately after IIA is established, it will be renamed as PIA for the period from its inception to the disbandment of OCI. In Stage 1, PIA will be given certain administrative powers to undertake essential preparatory work, such as recruiting key personnel, leasing office premises and procuring office and IT equipment, etc., for the new insurance regulator to take over the duties of OCI. The relevant guidelines for insurers and necessary subsidiary legislation will be ready before Stage 2 commences.

Stage 2

6. In Stage 2, PIA will be renamed back as “Insurance Authority” in English and “保險業監管局” in Chinese, the official name of IIA in the Amendment Ordinance, and take up the existing duties of OCI such as the prudential and conduct regulation of insurers, frontline regulation of Mandatory Provident Fund intermediaries and enforcement of the anti-money laundering regime. The self-regulatory system for insurance intermediaries will continue in the interim. This is to allow time for IIA to prepare, in consultation with the industry and the general public as appropriate, the necessary regulatory tools (including the code of conduct

for insurance intermediaries, guidelines on pecuniary penalty, rules and online register of insurance intermediaries, etc.).

Stage 3

7. Stage 3 will commence after these regulatory tools are in place for IIA to take over the regulation of insurance intermediaries from the three existing SROs.

THE NOTICE

8. The Notice at **Annex** seeks to bring into effect from 7 December 2015 provisions of the Amendment Ordinance necessary for the establishment of PIA (i.e. Stage 1). Specifically, the Notice covers those provisions in relation to –

- (a) the establishment of PIA and its constitution;
- (b) PIA's powers;
- (c) checks and balances on PIA; and
- (d) the appointment of Industry Advisory Committees.

It should be noted that PIA will not be vested with any regulatory powers before taking over the duties of OCI.

LEGISLATIVE TIMETABLE

9. The legislative timetable is as follows –

Publication in the Gazette	9 October 2015
Tabling at Legislative Council	14 October 2015
Commencement	7 December 2015

ENQUIRIES

10. Enquiries relating to this brief can be addressed to Ms Joan Hung, Principal Assistant Secretary for Financial Services and the Treasury (Financial Services), at 2810 2201.

Financial Services and the Treasury Bureau
7 October 2015

Insurance Companies (Amendment) Ordinance 2015 (Commencement) Notice 2015

Under section 1(2) of the Insurance Companies (Amendment) Ordinance 2015 (12 of 2015), I appoint 7 December 2015 as the day on which the following provisions of the Ordinance come into operation—

- (a) sections 1 and 2(1);
- (b) section 5(15) in so far as it relates to the new definitions of *Amendment Ordinance*, *Authority* and *public*;
- (c) section 5(16);
- (d) sections 8 and 9;
- (e) section 11;
- (f) section 13 in so far as it relates to the new sections 4B(2), 4C, 4D, 4E, 4F and 4H;
- (g) section 15;
- (h) section 73(1);
- (i) section 88 in so far as it relates to the new sections 118 and 138(3);
- (j) section 90 in so far as it relates to the following provisions—
 - (i) the new Schedule 1B;
 - (ii) the new Schedule 1C (except sections 3, 4, 5 and 6);
 - (iii) the new Schedule 1D (except section 1(a), (i), (m), (n), (o), (p) and (q)).

Secretary for Financial Services and
the Treasury

2015